

THE PITTSBURGH & LAKE ERIE RAILROAD COMPANY

GORDON E. NEUENSCHWANDER
VICE PRESIDENT & GENERAL COUNSEL

G. EDWARD YURCON
ASSISTANT GENERAL COUNSEL

JOSEPH T. KOSEK, JR.
ATTORNEY

6-231A028

August 13, 1976

324 P&LE TERMINAL BUILDING
PITTSBURGH, PA. 15219
PHONE (412) 261-3201

AUG 18 1976
FEE \$ 5.00

ICC Washington, D. C.

RECORDATION NO. 0444 Filed & Recorded

AUG 18 1976 9 58 AM
INTERSTATE COMMERCE COMMISSION

Mr. Robert L. Oswald, Secretary
Interstate Commerce Commission
12th and Constitution Ave., N.W.
Washington, D. C. 20423

Dear Sir:

Enclosed for filing with the Commission pursuant to Section 20c of the Interstate Commerce Act are the original and four additional counterparts of Security Agreement dated as of May 14, 1976, covering 750 used railroad freight cars. The names and addresses of the parties to the transaction are as follows:

Secured Party: Mellon Bank, N.A.
Mellon Square
Pittsburgh, Pa. 15230

Debtor: The Pittsburgh and Lake Erie
Railroad Company
Smithfield and Carson Streets
Pittsburgh, Pa. 15219

The following is a general description of the railroad equipment covered by said document:

<u>No. of Units</u>	<u>Description</u>	<u>A.A.R. Mechanical Designation</u>	<u>Identifying Road Nos.</u>
750	100-ton gondola cars	G.B.	P&LE Series 19172 through 19921

There is enclosed a check in payment of your recording fees. Please acknowledge receipt at your earliest convenience and return all counterparts not needed for Commission filing with the recordation stamp affixed thereto to the undersigned.

Very truly yours,

Gordon E. Neuenschwander

RECEIVED
AUG 18 9 49 AM '76
I.C.C.
OPERATION BR.

Interstate Commerce Commission
Washington, D.C. 20423

8/18/76

OFFICE OF THE SECRETARY

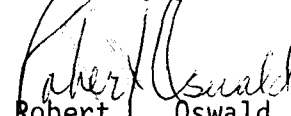
• **G.E. Neuenschwander**
Vice President & General Counsel
324 P&LE Terminal Building
Pittsburgh, Pa. 15219

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Dear Sir:

The enclosed document was recorded pursuant to the provisions
of Section 20c of the Interstate Commerce Act, 49 U.S.C. 20c, on **8/18/76**
at **9:55am**, and assigned recordation number **8444**

Sincerely yours,


Robert L. Oswald
Secretary

Enclosure



SE-39
(2/75)

8444
RECORDATION NO. Filed & Recorded
AUG 18 1976 - 9 58 AM
INTERSTATE COMMERCE COMMISSIONSECURITY AGREEMENT

THIS AGREEMENT, dated as of May 14, 1976, by and between THE PITTSBURGH & LAKE ERIE RAILROAD COMPANY, a Delaware corporation (hereinafter called the "Company"), and MELLON BANK, N.A., a national banking association having its principal office in Pittsburgh, Pennsylvania (hereinafter called the "Bank");

WITNESSETH THAT:

WHEREAS, the Company and the Bank have entered into a Bank Credit Agreement of even date herewith (the "Bank Credit Agreement") pursuant to which the Bank has agreed to make loans (the "Loans") from time to time in an amount not to exceed \$12,000,000 aggregate principal amount at any time outstanding; and

WHEREAS, the Company desires to secure the Debt (as defined in Section 1 of this Agreement) as required by the terms of the Bank Credit Agreement, in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and as an inducement to the Bank to make the Loans to the Company under the Bank Credit Agreement, the parties hereto covenant and agree as follows:

1. Certain Definitions. In addition to other terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly otherwise requires:

(a) "Agreement" shall mean this Security Agreement as from time to time amended or supplemented.

(b) "Code" shall mean the Uniform Commerical Code as enacted and in effect in the Commonwealth of Pennsylvania at the date of this Agreement and as the same may be amended from time to time hereafter.

(c) "Collateral" shall mean the property described in Schedule A hereto, together with all cash and non-cash proceeds (as those terms are defined by the Code) thereof.

(d) "Debt" shall mean (i) all indebtedness of the Company to the Bank in respect of the Loans outstanding from time to time under the Bank Credit Agreement, and all interest thereon, and any extensions, renewals, refundings or substitutions thereof in whole or in part, (ii) all costs and expenses incurred by the Bank in the collection of any such indebtedness, (iii) all future advances made by the Bank for the protection, preservation or collection of any portion of the Collateral, including without limitation advances for storage and transportation charges, taxes, insurance, repairs and the like and (iv) all other existing and future obligations of the Company to the Bank.

(e) "Event of Default" shall mean the events of default contained in Section 10 of the Bank Credit Agreement.

2. Security Interest. The Company hereby agrees that the Bank shall have, and hereby grants to and creates in favor of the Bank, a security interest under the Code in and to the Collateral as security for the payment of the Debt.

3. Title to Collateral. The Company covenants that it has and will continue to have good and marketable title to the Collateral from time to time owned by it or in its possession, free and clear of all liens, encumbrances, pledges and security interests (except the security interest created hereby) and will defend such title against the claims and demands of all persons whomsoever. The Company further covenants that it will not sell, lease, mortgage, pledge or encumber the Collateral or any part thereof, permit its identity to be lost, permit it to be levied upon or attached under any legal process, create any security interest therein, voluntarily or involuntarily sell or otherwise dispose of the same or of any rights therein. The Company assumes full responsibility for taking any and all necessary steps to preserve any rights against prior parties with respect to the Collateral.

4. Risk of Loss; Insurance. Risk of loss of, damage to or destruction of the Collateral shall be on the Company. The Company shall insure the Collateral against such risks and casualties, in such amounts and with such companies as shall be satisfactory to the Bank. All such policies of insurance shall contain loss payable clauses in favor of the Bank and such policies or certificates evidencing the same shall be deposited with the Bank. If the Company fails to effect and keep in force such

insurance or to pay the premiums thereon, the Bank may do so for the Company's account and the cost thereof shall be added to the Debt. The Company hereby assigns and sets over unto the Bank all monies which may become payable on account of any such insurance, including without limitation any return of unearned premiums which may be due upon cancellation of any such insurance, and directs the insurers to pay the Bank any amounts so due. The Bank is hereby appointed attorney-in-fact of the Company to endorse any draft or check which may be payable to the Company in order to collect the proceeds of any such insurance or premiums. Any balance of insurance proceeds remaining after payment in full of the Debt shall be paid to the Company.

5. Maintenance of Collateral. The Company agrees to maintain the Collateral from time to time owned by it or in its possession, and every part thereof, in good condition and repair, reasonable wear and tear alone excepted, and to pay and discharge all taxes, levies and other impositions levied thereon and the cost of all repairs to or maintenance of the same. If the Company shall fail to do so, the Bank may pay the cost of any such repairs or maintenance or taxes, levies or impositions for the account of the Company in which event the amount thereof shall be added to the Debt.

6. Location of Collateral. The Company covenants and agrees that, until payment in full of the Debt, it will not remove or permit the removal of the Collateral from the United States of America or Canada without the prior written consent of the Bank. The Bank, its officers, agents and employees, shall have the right at all reasonable times to inspect and check the Collateral and to examine and make extracts from any books and records of the Company pertaining to the Collateral.

7. Place of Business. The Company represents and warrants that its chief place of business is at Smithfield and West Carson Streets, Pittsburgh, Pennsylvania and that it will promptly notify the Bank in writing of any change in the location of said principal place of business.

8. Books and Records. The Company covenants and agrees that it will keep accurate and complete books and records with respect to the Collateral at the Company's place of business at Smithfield and West Carson Streets, Pittsburgh, Pennsylvania, and will furnish copies of such books and records to the Bank with reasonable promptness from time to time on request.

9. Filing Fees; Perfection of Security Interest. The Company shall pay all filing fees with respect to the security interest created hereby, and the Bank is hereby appointed the attorney-in-fact of the Company to do all acts and things which the Bank may deem

necessary or advisable in order to perfect and continue perfected its security interest in the Collateral. Promptly upon request of the Bank from time to time, the Company will do all such other acts and things and will execute and deliver to the Bank all such other instruments and documents and all such other and further assurances as the Bank may deem necessary or advisable in order to perfect and continue perfected its security interest in the Collateral or any part thereof.

10. Remedies on Default. If any one or more Events of Default shall occur and be continuing or shall exist at any time, the Bank shall have such rights and remedies with respect to the Collateral or any part thereof as are provided by the Code and such other rights and remedies with respect thereto as are accorded by law or in equity or under this Agreement, including without limitation the right to take possession of the Collateral with or without judicial process, and the right to sell all or any part of the Collateral at public or private sale, without prior notice to the Company except as otherwise required by law (and if notice is required by law, after 10 days' prior written notice), at such place or places and at such time or times and in such manner as the Bank in its sole discretion may determine.

Upon the occurrence of any such Event of Default the Company shall, promptly upon demand of the Bank, assemble

the Collateral and make the same available to the Bank at a place to be designated by the Bank. In connection with the delivery of possession of any or all of the Collateral to the Bank as above required, the Company shall at its own cost, expense and risk:

(a) Forthwith place the Collateral upon such storage tracks of the Company as the Bank reasonably may designate,

(b) Permit the Bank to store the Collateral on such tracks at the risk of the Company until the earlier of the date the Collateral has been sold or otherwise disposed of by the Bank or the 270th day from the date the Company shall have placed the Collateral on such storage tracks, and

(c) Transport the same to any place on the lines of railroad operated by the Company or any of its affiliates or to any connecting carrier for shipment, all as directed by the Bank.

The Bank shall apply the proceeds of any sale or other disposition of the Collateral, following repossession or collection thereof after the occurrence of such a default, first to the payment of the reasonable costs and expenses incurred by the Bank in connection therewith, including reasonable attorney's fees and legal expenses, second to the repayment of all other amounts due and unpaid on the Debt, whether on account of principal or interest, and third to pay the Company the balance, if any, as required by law. If the proceeds of the sales or dispositions shall be insufficient to pay the above-described amounts, the Company shall be liable to the Bank for the deficiency.

The Company hereby confirms the Bank's right of banker's lien and set-off, and nothing in this Security Agreement shall be deemed any waiver or prohibition of the Bank's right of banker's lien or set-off.

11. Applicable Law: Severability. It is stipulated and agreed by the Company and the Bank that this Security Agreement shall be governed by and construed in accordance with the laws, including the conflict of laws rules, of the Commonwealth of Pennsylvania. If any provision hereof shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, but this Security Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

12. Waiver. No failure or delay on the part of the Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege; no such failure or delay by the Bank shall constitute a waiver of its rights hereunder. The rights and remedies of the Bank hereunder are cumulative and not exclusive of any right or remedy which it may otherwise have.

11. Miscellaneous. Upon the termination of the Bank Credit Agreement and the payment in full of the Debt, this Agreement shall terminate and be of no further force and effect.

Until such time, however, this Security Agreement shall be binding upon and inure to the benefit of the Bank and the Company and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations hereunder.

IN WITNESS WHEREOF, the parties hereto, by their officers duly authorized, have executed this Security Agreement as of the day and year first written above.

ATTEST:

THE PITTSBURGH & LAKE ERIE
RAILROAD COMPANY

By *George C. Condon*

By *H. B. Allgair*

Title *Assistant Secretary*

Title _____

[Corporate Seal]

MELLON BANK, N.A.

By *Thomas F. Moran, Jr.*

Title Assistant Vice President

SCHEDULE A

Schedule of Collateral

Seven Hundred Fifty (750) 52' 6" one hundred ton Gondola railroad cars, P&LE Series 19172 through 19921, together with all cash and non-cash proceeds thereof and all attachments, accessories and parts used or intended to be used with any of said railroad cars.

COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF ALLEGHENY) ss.

On this 12th day of Aug., 1976, before me personally appeared W. G. Allyn, Jr., to me personally known, whom, being by me duly sworn, says that he is President of The Pittsburgh & Lake Erie Railroad Company, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation and that the said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My commission expires: Feb. 3, 1980

DONNA R. DINEEN, Notary Public
Pittsburgh, Allegheny County, PA
My Commission Expires February 3, 1980

Donna R. Dineen
Notary Public

[Notarial Seal]

COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF ALLEGHENY) ss.

On this 2nd day of August, 1976, before me personally appeared Thomas F. Mosimann, Jr. to me personally known, whom, being by me duly sworn, says that he is Asst. Vice Pres. of Mellon Bank, N.A. and that the said instrument was signed on behalf of said Bank by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My commission expires:

GLADYS M. HARPER, Notary Public
Pittsburgh, Allegheny County, Pa.
My Commission Expires May 29, 1978

Gladys M. Harper
Notary Public

[Notarial Seal]